

**THE OPTIONS CLEARING CORPORATION**

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March 28, 2007

**Electronically and by Courier**

Ms. Eileen Donovan  
Office of the Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, DC 20581

Re: Chicago Mercantile Exchange Submission  
Proposing to Trade Credit Index Event Contracts

Dear Ms. Donovan:

The Options Clearing Corporation ("OCC") is submitting this letter in response to the request for comments issued by the Commodity Futures Trading Commission (the "Commission") relating to the filing by the Chicago Mercantile Exchange ("CME") dated March 7, 2007, proposing to trade a product that it calls "credit index event contracts" (the "New CME Product"). CME seeks Commission approval for the proposed contracts under Commission Rule 40.3. The Commission has requested that comments be submitted by March 28, 2006.

OCC is a securities clearing agency registered as such under Section 17A of the Securities Exchange Act of 1934 as well as a derivatives clearing organization registered under Section 5b of the Commodity Exchange Act (the "CEA"). As such, OCC has the ability to clear securities options and security futures contracts subject to the jurisdiction of the Securities and Exchange Commission (the "SEC") and commodity futures and commodity options subject to the Commission's jurisdiction under the CEA.

OCC acts as the clearing agency for options traded on the Chicago Board Options Exchange ("CBOE"). As the Commission staff is aware, CBOE has proposed to trade "credit default options" ("the CBOE Product"), which are binary options that are automatically exercised whenever a "credit event" occurs with respect to "reference obligations" of a "reference entity." OCC has submitted a rule filing with both the SEC and the Commission seeking approval from both agencies to clear these options as securities options.

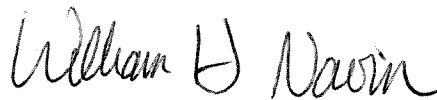
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By letter dated November 3, 2006 (the "November OCC Letter"), OCC submitted comments on a previous rule filing by CME seeking approval of a product that was, in its original form (prior to being amended by CME), highly similar to the New CME Product except that the product proposed in the earlier letter (the "First CME Product") was based on a single underlying reference entity and would pay a fixed amount upon the occurrence of a credit event affecting that entity. The present product is based on a group consisting of multiple reference entities and would pay a fixed amount upon the occurrence of a credit event affecting any one of the reference entities. By an order dated January 31, 2007, the Commission approved the First CME Product, but only after the CME, at the request of the Commission's staff, amended its original proposal to limit its definition of a "credit event" to the bankruptcy of the reference entity. The definition of "credit event" for the New CME Product includes not only the bankruptcy of the reference entity, but also the failure of the reference entity to make required payments on certain debt securities—an event stricken at the Commission's request from the definition of "credit event" for the First CME Product.

OCC is familiar with the content of a comment letter that has been or will be submitted by CBOE with respect to the New CME Product. OCC concurs in CBOE's conclusion that the New CME Product is an option rather than a future and, in its present form, should be regarded as a securities option subject to the jurisdiction of the SEC rather than as a commodity futures contract or a commodity option. We stated our views on these matters in the November OCC Letter, and we see no need to repeat them here. Clearly, however, the CME's filing cannot be approved or allowed to become effective in its present form.

OCC appreciates the opportunity to make its views known to the Commission. I would be happy to discuss any aspect of this matter with the Commission's staff.

Sincerely,

A handwritten signature in black ink that reads "William H. Navin". The signature is written in a cursive, flowing style.

William H. Navin

WHN:mmmp